Enforcement Report 2017

Protecting Investors and Supporting Healthy Capital Markets Across Canada

IIROC OCRCVM

Investment Industry Regulatory Organization of Canada

Organisme canadien de réglementation du commerce des valeurs mobilières

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The Role of Enforcement

IIROC's Enforcement Department (Enforcement) is responsible for the enforcement of IIROC's Dealer Member rules, relating to the sales, business and financial conduct of its Dealer Members and their registered employees, as well as the Universal Market Integrity Rules (UMIR) relating to the trading activity on all Canadian debt and equity marketplaces.

Enforcement plays a key role in IIROC's pursuit to protect investors and support healthy capital markets across Canada. Enforcement works with IIROC's other departments (including Complaints and Inquiries, the various compliance groups, Trading Review & Analysis, and Registration) to ensure timely identification, investigation and prosecution of regulatory misconduct, as well as the detection and pre-emptive disruption of potential misconduct.

Enforcement must be:

FAIR

IIROC's enforcement process is fair and impartial. Prosecutions are based on thorough investigations; hearings are transparent and conducted by impartial hearing panels, chaired by legal professionals.

EFFECTIVE

Enforcement aims to promote compliance within the investment industry by sending strong regulatory messages that deter potential wrongdoers and help to build investor confidence in the Canadian capital markets.

TIMELY

Timely investigation and prosecution of misconduct protects investors and strengthens the public's confidence in self-regulation.

About IIROC

The Investment Industry Regulatory Organization of Canada (IIROC) is the national, self-regulatory organization (SRO) responsible for the oversight of Canada's investment dealers, as well as trading activities on debt and equity marketplaces in Canada.

IIROC is one part of the Canadian securities regulatory framework that consists of 10 provincial and three territorial securities regulators (collectively the Canadian Securities Administrators [CSA]), as well as SROs including IIROC and the Mutual Fund Dealers Association (MFDA), whose activities are overseen by CSA members.

IIROC's regulatory mandate is to set and enforce high-quality regulatory and investment industry standards, protect investors and strengthen market integrity while supporting healthy capital markets. IIROC pursues this mandate by developing, testing for compliance with and enforcing a broad spectrum of member and market proficiency, conduct and prudential rules.

All investment dealers (also referred to as Dealer Members) and Canadian marketplaces overseen by IIROC are subject to a rigorous regulatory approval process. Individuals wanting to work at IIROC-regulated firms in specific roles (for example, client-facing advisors and individuals in a supervisory role who have responsibility for ensuring compliance with IIROC rules and other applicable regulations) must apply to IIROC for approval. Individual applicants must satisfy all of IIROC's proficiency requirements and be assessed to be "fit and proper" before IIROC will approve them to work at a Dealer Member in these types of roles. They must also invest in their professional development by completing a minimum number of continuing education requirements over the course of a two-year continuing education cycle.

IIROC's vision is to be known for its integrity, transparency and fair and balanced solutions. IIROC aims for excellence and regulatory best practices. Its actions are driven by sound, intelligent deliberation and consultation.

Message from Senior Vice-President, Registration and Enforcement

Since our last Enforcement Report, IIROC has made significant progress and built momentum in our pursuit of more effective enforcement tools to better protect investors and enhance the integrity of Canada's capital markets.

This past year, IIROC obtained additional legal authority from several provinces across Canada:

- April 2018: The British Columbia Government passed legislation (Bill 16) to amend the B.C. Securities Act, giving IIROC the ability to collect disciplinary fines through the courts.
- March 2018: The Manitoba Government introduced legislation (Bill 23) to give IIROC the ability to collect disciplinary fines through the courts, protection from malicious lawsuits and the ability to launch appeals to the Manitoba Securities Commission.
- June 2017: The Alberta Government passed Bill 13 providing IIROC with protection against lawsuits for acting in good faith when carrying out IIROC's public interest mandate to protect investors, and with the authority to collect evidence during the investigations stage. In Alberta, we already had the ability to collect disciplinary fines through the courts and we had the ability to collect evidence at the disciplinary hearing stage.
- May 2017: The Ontario Government passed legislative amendments, originally introduced as part of its budget measures bill, giving IIROC the ability to collect disciplinary fines directly through the courts.
- January 2017: The Prince Edward Island Office of the Superintendent of Securities granted IIROC the authority to directly register disciplinary decisions with the Supreme Court of PEI. IIROC also received authority to collect evidence at the disciplinary hearing stage.

Quebec's Assemblée Nationale is currently reviewing legislation containing similar provisions, which will bolster the effectiveness of IIROC's enforcement actions and create even stronger investor protection. IIROC currently has the ability to collect fines through the courts in Quebec.

We appreciate the steps these provincial governments are taking. Meanwhile, IIROC continues its discussions with other provincial and territorial governments to obtain similar enforcement tools so that investors receive consistent and enhanced protection regardless of where they live in Canada. While we are proud of our investor protection efforts, together we can do more. We look forward to strengthening our enforcement capabilities in all jurisdictions, sending a strong and clear message of deterrence to potential wrongdoers and providing a consistent level of investor protection from coast to coast.

These legislative changes make a positive, crucial contribution to investor protection in Canada. In Quebec and Alberta, where our legal authority is greater, we witness fine collection rates significantly higher than the national average. The very recent legislative amendments in Ontario are already beginning to make a difference: between

2016 and 2017, fines collected by IIROC increased from $2.7M to $3.4M. Also, where we have the ability to collect fines through the courts, we see an overall change in behaviour with sanctioned advisors taking their responsibilities to IIROC more seriously. This sends an important message to investors: our regulatory system has teeth and has integrity and, although the vast majority of advisors are ethical and fair, IIROC will hold wrongdoers accountable.

This clearly shows that fines have more impact when levied in provinces where the legislative framework ensures real consequences for those who commit misconduct. However, we acknowledge that there is much work ahead of us. Over the past decade, $32 million in fines remains uncollected from individuals who walked away from discipline without any repercussions. This motivates IIROC to keep driving forward with our push for enhanced change.

Receiving greater enforcement authority in Canada over the past year helps to mark a milestone in our history. Moving into fiscal year 2018, IIROC will celebrate its 10th anniversary. Reflecting on our past energizes us for the coming years so that we can progress and be better prepared for the challenges ahead.

IIROC is also proposing changes to its enforcement process to provide new tools and more flexibility in how it addresses wrongdoing. In February 2018, IIROC published two proposals for public consultation that would allow for more tailored and efficient responses, which would ensure that our enforcement actions are fairer and more proportionate to the seriousness of the misconduct. If adopted, these proposals will better position IIROC to focus its resources on infractions that are more serious or harmful to investors. You can read more about our alternative disciplinary proposals in this report.

Also inside this report, you will find evidence of our hard work to prosecute wrongdoers and our collaboration across jurisdictions. The highlighted cases show our continued focus on protecting seniors and vulnerable investors, particularly from unsuitable investments. Suitability represented over 45 percent of all prosecutions. Overall, seniors represented almost 40 percent of all cases reviewed and approximately 30 percent of prosecutions in 2017.

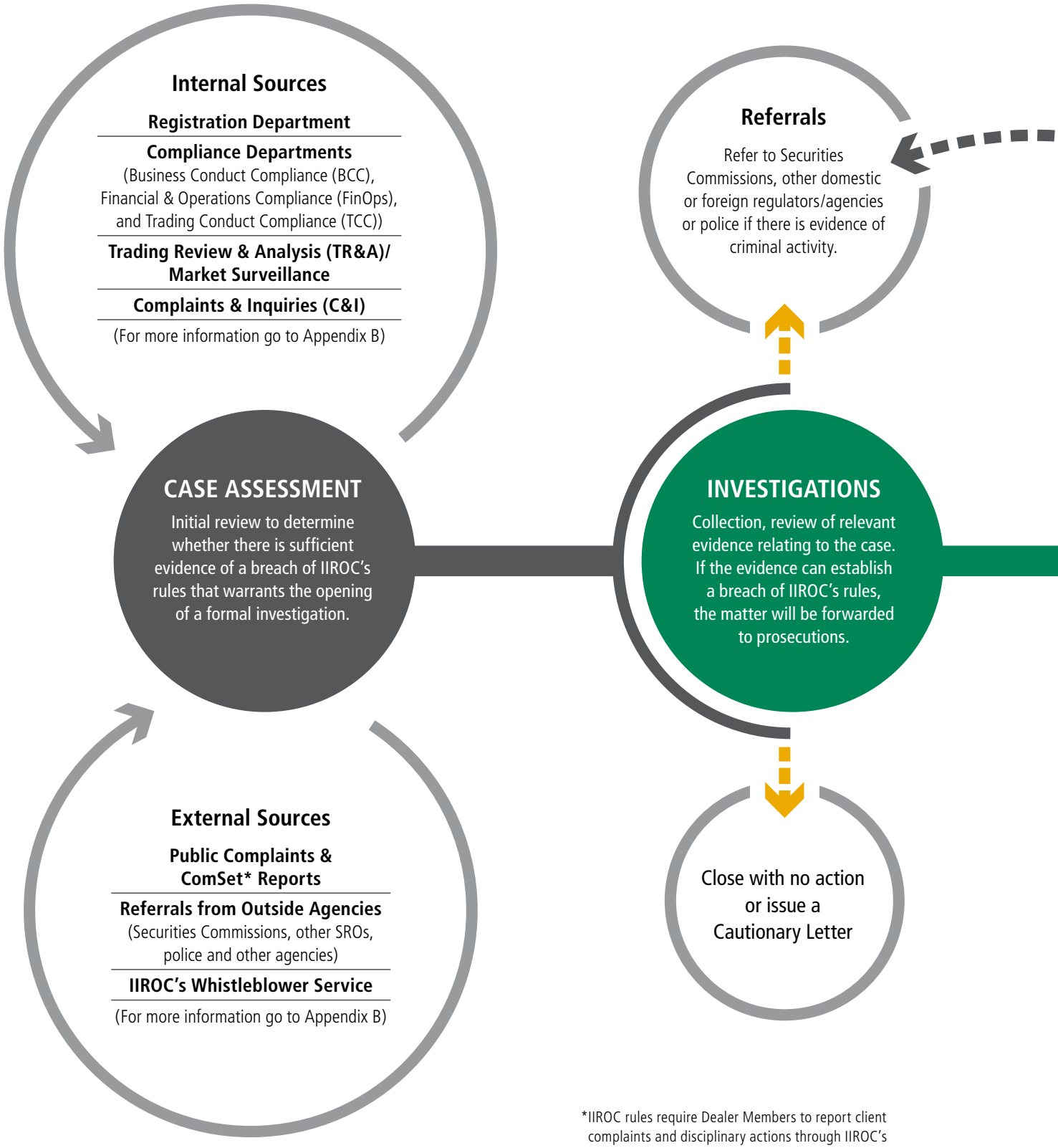
IIROC's passion and commitment to protect investors and marketplace integrity are strengthened by the support we receive from our many stakeholders. We are thankful for the partnership of those who publicly support our enforcement initiatives. Consumer advocates like CARP and Prosper Canada, as well as the investment industry and individual registrants – they are all instrumental to IIROC's success.

We could not address partnership and support without touching on the collaboration with our regulatory and government partners across Canada, such as the Canadian Securities Administrators, insurance regulators and provincial ministries of finance and justice. Together, we are working to close the gaps in financial regulation, ensuring that it is no longer easy for disciplined individuals to avoid the consequences of their actions by switching jurisdictions or selling different financial products. We are doing this by executing agreements to cooperate and share disciplinary information. We continue to enter into agreements of this nature with other regulators to provide a consistent, effective approach to regulation across all Canadian financial services jurisdictions.

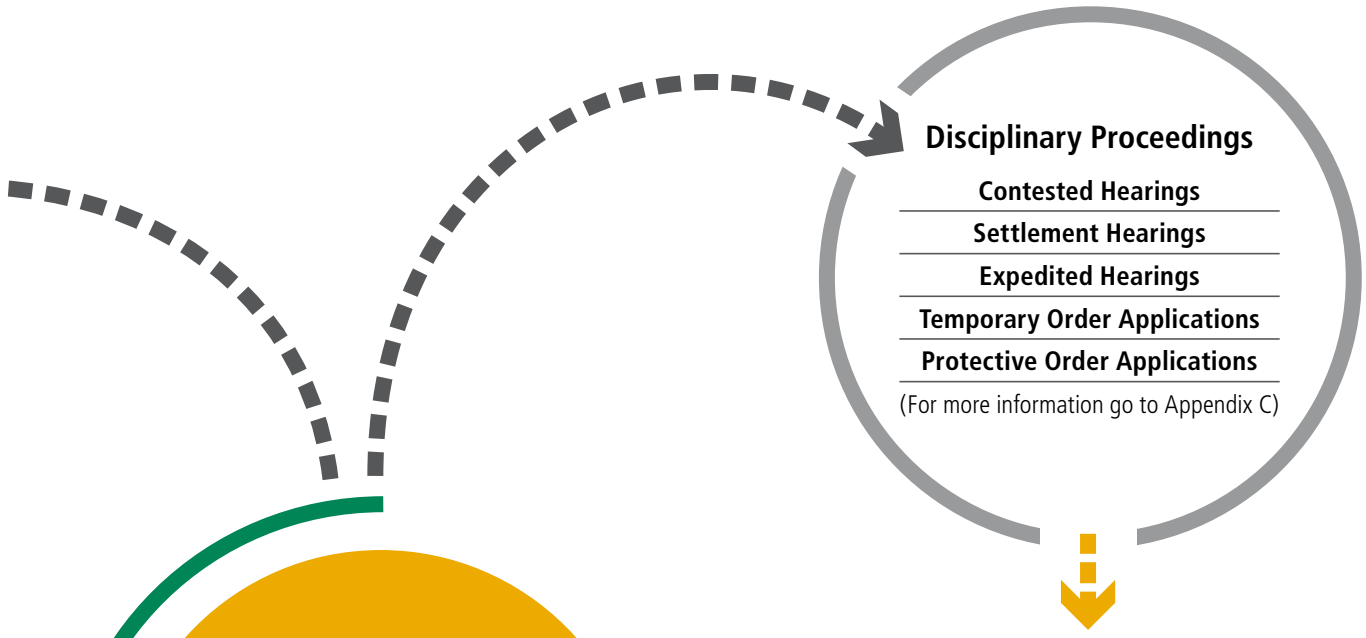
In closing, IIROC remains as committed as ever to setting and enforcing high regulatory standards in the investment industry through fair, effective and timely enforcement. To accomplish this, we must strive to coordinate with all provincial and territorial jurisdictions to ensure that Canadian investors from coast to coast are confident in the same strong level of protection in Canada's capital markets.

ELSA RENZELLA
Senior Vice-President, Registration and Enforcement

IIROC's Enforcement Process



*IIROC rules require Dealer Members to report client complaints and disciplinary actions through IIROC's Complaint and Settlement Reporting System.



Penalties

If a Dealer Member or individual registrant is found to have violated IIROC rules, the following penalties may be imposed:

FIRMS	INDIVIDUALS
A reprimand	A reprimand
Fines, up to a maximum of $5 million per contravention or an amount equal to three times the profit made, or loss avoided	Fines, up to a maximum of $5 million per contravention or an amount equal to three times the profit made, or loss avoided
Imposition of conditions on membership	Imposition of conditions on registration
A period of suspension	A period of suspension
Expulsion	A permanent ban

Use of Fines and Cost Awards

Generally speaking, all fines collected and payments made under settlement agreements can only be used for the benefit of investors through education programs, the administration of disciplinary panels and/or the development of programs or systems to address emerging regulatory issues. See Fine Collection rates on page 26.

The Canadian Securities Administrators' Recognition Orders of IIROC require that all fines collected and all payments made under settlement agreements entered into with IIROC can only be used for the above purposes.

Enforcement Activities

One significant highlight in 2017 was Enforcement's actions against firms and senior compliance personnel. The number of prosecutions involving firm supervisory failings increased by 25 percent and the total fines against firms more than doubled. We disciplined two Ultimate Designated Persons and one Chief Compliance Officer. We also emphasized our focus on issues relating to conflicts of interest as a key regulatory priority for IIROC. The types of conflicts we prosecuted included issues of non-disclosure and trading conflicts between an advisor and his client.

In addition to these key outcomes, Enforcement's core focus remained suitability, with half of those matters involving seniors. Suitability was again the top complaint reviewed by our Case Assessment unit, and represented over 45 percent of our prosecutions. Cases involving seniors represented almost 40 percent of cases reviewed and approximately 30 percent of prosecutions. A few of our suitability cases focused on inappropriate active short-term trading in new issue offerings which is not consistent with good business practice and not in the clients' interest given the commissions generated for the advisors (see Case Highlights for further details).

We also recognize the importance of partnership and collaboration to ensure proper oversight of the Canadian marketplaces. We continue to work with IIROC's Trading Review & Analysis (TR&A) teams to identify and investigate manipulative and deceptive trading activities. During the early part of this year, we conducted a lengthy prosecution involving allegations of layering. In early 2018, the hearing panel ruled in favour of IIROC staff and held that the trader was liable.

Where IIROC detects potential market-related violations by clients of IIROC dealers, those matters are referred to the relevant CSA jurisdiction. Both Enforcement and TR&A also work with CSA jurisdictions on matters of mutual interest. In 2017, TR&A referred 64 market-related cases to the CSA:

Manipulation: 45
Insider Trading: 16
Other Securities Act Violations: 3

The overall number of complaints decreased this past year and we also saw a marginal decrease in the number of completed investigations and prosecutions. Specifically, the total number of complaints reviewed by Case Assessment decreased by 20 percent, resulting in a significant decrease in matters promoted to investigations. The number of investigations completed only declined from 138 to 127 from the previous year, remaining in the normal historical range. The number of prosecutions commenced[1] in 2017 totalled 39, a decrease from the previous year, while the number of prosecutions completed only fell by two cases, from 46 to 44.

Despite this slight decrease in volume, we continue with our meaningful work to pursue cases that send a strong regulatory message of deterrence. We remain committed to ensuring the protection of Canadian investors and the integrity of Canada's capital markets.

[1] The initiation of proceedings means cases that started by way of an issuance of a Notice of Hearing, a settlement agreement between the parties, or the commencement of a Protective Order application.

Selected Case Highlights

SUITABILITY

Jamie Peter Yaskiw (Disciplinary Hearing) – Calgary, Alberta

Yaskiw's misconduct resulted from the handling of three clients' accounts. Specifically, he failed to know his clients, made unsuitable recommendations, and engaged in discretionary trading. Two of the clients were married, with little investment knowledge. They advised Yaskiw that they planned to retire and were relying upon him for investment advice.

Initially, the couple's new client account forms (NCAFs) marked the accounts as fairly balanced but Yaskiw later updated them to reflect a more aggressive trading strategy that was not suitable. He engaged in frequent transactions in high-risk securities and employed speculative short-selling strategies. Within a 12-month period, the accounts increased their holdings of high-risk securities to 70 percent and the clients lost approximately $125,000, an 11 percent decline of their portfolio.

The third client also wanted to use her account to fund her eventual retirement. She never personally met Yaskiw and had no recollection of the objectives set out in the NCAF. Her NCAF inaccurately reflected her objectives as 60 percent high risk.

Yaskiw pursued an aggressive investment strategy, which included frequent trades in high-risk securities in the energy and materials sectors. After a few years, her account contained 100 percent high-risk securities, with approximately 75 percent concentrated in energy and materials sectors. She lost approximately $41,000, which was 38 percent of her portfolio.

None of the accounts for these clients were marked as discretionary, nor did Yaskiw have authority to conduct discretionary trades in any client account.

The panel described Yaskiw's conduct as reckless, and noted that it took place over an extended period of time. Yaskiw was suspended from approval with IIROC for two years, fined $120,000, and was ordered to pay costs of $25,000.

Selected Case Highlights

CONFLICT OF INTEREST

Krishna Sammy (Disciplinary Hearing) – Brampton, Ontario

Sammy failed to disclose a conflict of interest and failed to use due diligence to ensure that investments he made for clients reflected their risk tolerance.

On multiple occasions over three years, Sammy placed himself in a conflict of interest with his clients when he recommended that they purchase securities in their accounts. At the same time and without the knowledge of his clients, he was selling his own personal holdings of these securities.

The hearing panel noted that "common sense dictates that there is an obvious conflict of interest between an advisor who sells his own stock virtually contemporaneously with his purchase of stock from the same issuer on behalf of a client. At the very least it would appear to be a conflict of interest." In the panel's view, the essence of the offence was the failure to disclose. The motivation behind his personal selling of shares was irrelevant.

In addition, Sammy made unsuitable recommendations for eight clients, whose accounts held significantly more risk than stated on their NCAFs. The clients incurred significant losses as a result.

Sammy was fined $250,000, banned from approval with IIROC for five years, and was required to pay costs of $75,000.[2]

During the time in question, Sammy was employed by DundeeWealth, a division of DWM Securities Inc. Following its acquisition by the Bank of Nova Scotia, DundeeWealth was later amalgamated with Scotia Capital Inc. Scotia Capital Inc. entered into a settlement agreement for the firm's failure to supervise Sammy. Specifically, the firm failed to ensure compliance with IIROC rules governing retail account supervision and failed to ensure that conflicts of interest were properly identified and managed. Scotia Capital Inc. agreed to pay a fine of $175,000 and costs of $10,000.

[2] Sammy sought a hearing and review of the IIROC decision to the OSC but his application was dismissed and the IIROC decision was confirmed.

UNDISCLOSED GIFTS FROM CLIENTS

Paul Sian (Settlement) and Brian McCullough (Settlement) – Powell River, British Columbia
McCullough engaged in conduct unbecoming by accepting a gift for $750,000 from an elderly client with whom he had a close personal friendship. McCullough was the assistant to Sian who was the registered representative of record for the client. However, McCullough was the main contact for the client who at one point expressed an intention to provide a monetary gift to him. The client provided instructions to Sian to liquidate her account which was worth over $900,000, part of which was given to McCullough as a gift. Shortly after receiving the gift, McCullough advised Sian of the gift but did not tell his firm. The client died approximately six months later.

Sian failed to report the client's gift, although he was aware of it. Not only did he fail to report the gift, he falsely advised the branch manager that the gift was not from a client. Sian also failed to make reasonable inquiries into the circumstances surrounding the client's instructions to liquidate her $900,000 account.

Both McCullough and Sian also failed to report the initiation of a lawsuit against McCullough in relation to the $750,000 gift. McCullough was subsequently terminated by his employer.

McCullough agreed to pay a fine of $80,000 and costs of $5,000. He received a five-year suspension from registration in any capacity with IIROC. Sian paid a $20,000 fine and $5,000 in costs.

INAPPROPRIATE SHORT-TERM NEW ISSUE TRADING

Kevin Frederick Price (Settlement) – Toronto, Ontario
Over a two-year period, Price recommended to a client that she use significant margin, which was unsuitable. Price also earned significant compensation by engaging in a short-term trading strategy for the client. This short-term trading was not within the bounds of good practice.

The client was retired with limited investment knowledge and just under $1 million in assets. She opened four accounts with Price, all of which were fee-based and required the client to pay a percentage fee based on the market value of the securities held. The client required regular income from her portfolio for living expenses. Since inception, Price purchased securities on margin, which increased the income generated but also increased the risk, which eventually exceeded her risk tolerance.

Price recommended a significant number of trades in new securities. Over a two-year period, he purchased $4.1 million of new issues, representing approximately 71 percent of all securities bought. These purchases were also part of a short-term trading strategy that, overall, was not profitable for the client. However, the new issue purchases generated additional commissions, which were paid by the issuers, for the firm and Price. Over the same period, he earned approximately $40,000 from the new issues, in addition to the account fees paid directly by the client. The underlying new issues were not unsuitable and consistent with her investment objectives.

The client lost approximately $369,000 in her accounts.

Price paid an internal discipline fine of $21,000 to his employer, completed the Conduct and Practices Examination, and was subject to strict supervision for six months. He also contributed $55,000 towards compensating the client for her losses.

Price agreed to pay a fine of $15,000 and costs of $5,000.

David Claude Bugden (Settlement) – New Glasgow, Nova Scotia

Over a two-year period, Bugden made recommendations and purchases of securities for one client that were not suitable and were not within the bounds of good business practice. The client was a widow in her 70s at the time in question. Bugden actively traded in both her fee-based accounts, investing in new issues and initial public offerings of securities.

Bugden's strategy was to take advantage of the price differential between the new issue price and the price available on the secondary market for securities in the same issuer. In one particular purchase, the value of the new issues was more than double the account holdings. During that time, Bugden earned total commissions from the issuers of approximately $12,000. This new issue trading strategy was inconsistent with good business practice, given the significant commissions generated as compared to the unsuitable risk undertaken for the client.

Bugden also improperly approved two NCAFs for two senior clients to reflect higher risk tolerances that were not consistent with the clients' personal circumstances, investment knowledge or risk tolerances. Bugden admitted that he did not take steps to satisfy himself as to whether the forms were accurate and suitable, instead merely skimming the NCAFs prepared by his partner upon whom he relied.

Bugden agreed to pay a fine of $40,000, costs of $5,000, be subject to close supervision for one year, and successfully re-write the Conduct and Practices Handbook examination within six months.

The firm was also disciplined for failing to adequately supervise this trading strategy (see Scotia Capital case later in this report).

COMPENSATION FOR UNDISCLOSED OFF-BOOK INVESTMENTS

Richard Poirier (Settlement) – Val-D'Or, Quebec

Poirier facilitated a client's investment in an off-book private placement without the knowledge or consent of his firm. Using the firm's letterhead, Poirier confirmed the client's investment of $3,500 in an off-book investment. A few months later, the shares of the investment were deposited in the client's account. The client subsequently realized a gain of $240,000, net of commission. Around the same time, Poirier accepted a $150,000 gift from this client, which he only advised his employer of about four years later.

Notwithstanding the profit earned by the client, the hearing panel viewed the misconduct as egregious.

Poirier was fined $100,000 inclusive of costs, suspended from IIROC approval for one month, subject to a 12-month period of close supervision should he be re-approved in any capacity, and that he successfully complete the Conduct and Practices Handbook course.

Jayanth Noronha (Disciplinary Hearing) – Toronto, Ontario

Over a two-and-a-half year period, Noronha recommended and facilitated off-book investments for his clients in two companies without the knowledge and consent of the firm. Unbeknownst to the firm, he also indirectly received compensation through his spouse from these two issuers. This created a direct conflict, which he failed to disclose to or address with his firm or his clients.

The off-book transactions that Noronha undertook amounted to $5.4 million, of which Noronha received $669,500 in compensation. Noronha arranged for much of the remuneration to be paid to his wife in order to disguise the activity. Noronha denied to his firm that he was undertaking any outside business activity and misrepresented the compensation that he received from these issuers. Noronha also took steps to remove email records and disconnect his backup server in order to deprive his firm from properly investigating his conduct.

The hearing panel noted that the misconduct was "as disgraceful and egregious as one could imagine in the investment industry." The panel stated that, "Mr. Noronha placed himself in a direct conflict of interest by receiving undisclosed compensation from [two issuers] when he had a duty to provide independent advice to his clients who were investing in those companies. This is a classic example of a conflict of interest that totally undermines the public's confidence in the investment industry. Not only did Mr. Noronha place himself in a conflict of interest, he tried to hide or disguise it by having the compensation paid to his wife."

Noronha was permanently banned from approval from any IIROC category, ordered to pay disgorgement of $669,500, a fine of $200,000, and costs of $60,629.

Selected Case Highlights

FORGERY

Gennaro Scerbo (Discipline Hearing) – Winnipeg, Manitoba

Scerbo forged his spouse's signature on various account documents in order to misappropriate funds from her account. His spouse opened an individual RRSP account with Scerbo. She had limited investment knowledge and relied upon him for investment advice and recommendations. She transferred over $200,000 into the account and made regular contributions thereafter. Scerbo fraudulently withdrew from the account by regularly forging her signature on RRSP de-registration withdrawal forms. This allowed him to withdraw funds in monthly increments of approximately $5,000. In total, he misappropriated $271,000. She only discovered this after learning of an outstanding credit card debt, which prompted a review of her account.

Scerbo also failed to cooperate with the IIROC investigation by failing to attend an interview.

Scerbo was fined $470,000, permanently banned from registration in any capacity with IIROC and was ordered to pay costs of $15,000.

MANIPULATIVE AND DECEPTIVE TRADING

Russell Waddington (Settlement) – Vancouver, British Columbia

Over the course of three months, Waddington, a proprietary trader, engaged in seven instances of a prohibited trading practice known as "layering". Specifically, he entered orders on one side of the market that he intended to execute while simultaneously entering orders (five on the bid side and two on the ask side) that he did not intend to execute on the other side of the market. He did this to induce other market participants to react and trade with one of his *bona fide* orders at an artificial price. He did not make a profit from this trading.

Waddington agreed to pay a fine of $10,000 and $1,000 in costs and to be suspended from approval with IIROC for one month.

FAILINGS OF SENIOR COMPLIANCE OFFICERS

Sasha Jacob (Settlement) – Toronto, Ontario
Christopher Rutledge (Settlement) – Toronto, Ontario

These two cases focus on the failings of two senior compliance personnel of Jacob Securities Inc. The firm was suspended from IIROC membership in December 2015 because of its supervisory failures and related compliance deficiencies, as well as its on-going serious financial and operating difficulty.

Through various compliance examinations, IIROC Staff identified a series of significant and repeat deficiencies including lack of supervision of retail and institutional account trading, timely registration filings, and management of conflicts of interest. There were also other wide-ranging problems relating to a number of areas, such as supervision of trading activity, outside business activities, corporate governance, and corporate finance reporting.

Jacob was the founder, Chairman, Chief Executive Officer (CEO), Ultimate Designated Person (UDP), and sole director of Jacob Securities Inc. As the UDP, Jacob bore ultimate responsibility for establishing, maintaining, and promoting a culture of compliance and ethical behaviour in accordance with IIROC rules. Jacob's failure to fulfill these responsibilities was compounded by the fact that he was also the CEO, Chairman, and sole director.

Rutledge was the Chief Compliance Officer (CCO) and a supervisor at Jacob Securities who was the primary contact during the relevant compliance examinations. As CCO, he was responsible for establishing and maintaining policies and procedures for monitoring and assessing compliance with IIROC rules by the firm and by its employees. As a supervisor, he was also responsible for conducting the first level of review of retail client accounts (referred to as Tier 1 supervision).

IIROC compliance reviews of the firm found that Rutledge failed in his supervisory responsibilities. This included insufficient evidence of supervision of retail and institutional accounts; insufficient evidence and testing of trading conduct supervision; delayed registration filings relating to outside business activities; and failure to identify and address a conflict of interest.

Jacob agreed to pay a fine of $100,000, costs of $10,000 and was suspended from acting as a UDP for three years.

Rutledge agreed to pay a fine of $25,000, costs of $5,000 and was permanently banned from acting as a CCO.

Selected Case Highlights

RETAIL ACCOUNT SUPERVISION

Scotia Capital Inc. (Settlement) – Ontario

This case addressed Scotia Capital's failure to adequately supervise two registrants (including Bugden, noted previously in this report). The two registrants recommended securities transactions that were not suitable for their clients and were not in keeping with good business practice. Additionally, they implemented an investment strategy for many of their clients that attempted to take advantage of the difference between the price of new issues and initial public offerings, and the price on the secondary market. The strategy sought returns from high-volume short-term trading and was thus only suitable for clients with high-risk tolerance and whose objectives included short-term trading.

The strategy was more profitable than a conventional investment approach because the issuers paid a commission to Scotia Capital. Although compliance officers and a supervisor made Scotia Capital aware of their concerns about the risks of this strategy, Scotia nevertheless approved the trades for numerous clients.

Scotia Capital Inc. agreed to pay a fine of $200,000, costs of $20,000, and to donate to charity $100,000 disgorged from the supervisor.

TRADING SUPERVISION

JitneyTrade Inc. (Settlement) – Quebec

For over a year, JitneyTrade failed to implement an effective trade supervision system and failed to act as a gatekeeper to prevent and detect a repeated pattern of market manipulation by a Direct Electronic Access client. This client engaged in a pattern of spoofing and layering on IIROC-regulated markets. JitneyTrade could not adequately measure or assess the volume of potentially manipulative trading flagged by its surveillance system for this client and could not make a reasonable determination as to whether its compliance testing was adequate.

JitneyTrade was aware of the client's manipulative trading practices and filed 10 gatekeeper reports with IIROC. Despite this knowledge and the alerts generated by its surveillance system, the firm did not implement any heightened measure to supervise the client's trading.

JitneyTrade had a prior disciplinary history for failing to adequately supervise Direct Electronic Access trading, for which it was fined $90,000. For this second offence, the firm was fined $200,000 and paid costs of $25,000. It also agreed to take remedial measures to address the supervisory issues, including retaining a consultant to advise on improvements to its supervision system.

Enforcement Priorities

ENFORCEMENT'S STRATEGIC INITIATIVES

IIROC has completed the second year of its three-year Strategic Plan, which serves as the blueprint to achieve its mission to protect investors and support healthy capital markets. As part of the Plan, Enforcement's strategic focus is to pursue credible enforcement action in a timely, responsible and robust manner using a variety of tools and remedies by:

1. Increasing our fine collection through expanded legal authority;
2. Developing alternative forms of disciplinary action; and
3. Strengthening the process of compliance referrals to Enforcement.

Enforcement is also pursuing two additional legislative amendments to strengthen its effectiveness:

1. Statutory immunity for IIROC and its personnel when acting in the public interest; and
2. Additional authority to strengthen evidence collection.

We are happy to report that this past year, Enforcement made significant advancements in these strategic initiatives.

1. Authority to Collect Fines

IIROC continues to seek the legal authority to enforce its fines in every jurisdiction across Canada. This will send a strong regulatory message by holding those who break the rules accountable and subjecting them to real penalties that can be collected by IIROC. Such authority enhances the credibility and integrity of IIROC's disciplinary process and the sanctions imposed.

While firms and individuals who wish to remain Dealer Members or registrants of IIROC must pay their fines, many choose to avoid payment by simply leaving the securities industry and abandoning their registration. While IIROC collects 100 percent of fines against Dealer Members, collecting from individuals is much more challenging. In 2017, IIROC collected approximately 16 percent of penalties levied against individuals nationally.

Prior to 2017, IIROC only had the legal authority to enforce fines in Alberta and Quebec. This past year, we obtained this power in two additional provinces: Prince Edward Island (PEI) and Ontario. In January 2017, the PEI Office of the Superintendent of Securities issued a broad authorization Order that gives IIROC the authority to collect fines against disciplined individuals directly through the Superior Court without having to seek approval in every individual case. The Order also authorizes IIROC to summon and enforce the attendance of witnesses at disciplinary hearings, which is discussed further below. In May 2017, Ontario amended the Ontario Securities Act, giving authority to IIROC to pursue fine collection directly through the courts. These are significant developments that give IIROC the ability to pursue fine collection in more than half of our disciplinary cases.

Meanwhile, in Manitoba in March 2018, the Manitoba Government introduced legislation (Bill 23) to give IIROC the ability to collect disciplinary fines through the courts. In April 2018, the British Columbia Government introduced and passed similar legislation (Bill 16).

Over time, we anticipate these powers will result in improved collections rates, sending a strong message of deterrence to potential wrongdoers and boosting investor confidence in our system. IIROC will continue to take active steps to pursue this authority in other provinces by reaching out to the securities regulators and government officials responsible for securities regulation across the country.

In our pursuits, IIROC still makes every reasonable effort to collect penalties imposed against disciplined firms and individuals. A disciplined party's failure to pay a fine will result in IIROC taking immediate steps for suspension until payment is made. IIROC also publishes online an Unpaid Fines Report, which lists individual registrants who, since 2008, have failed to pay fines, disgorgement, and/or costs imposed as a result of disciplinary action taken against them. This list is available on IIROC's website and is updated on a quarterly basis.[3]

2. Alternative Forms of Disciplinary Action

It is important for Enforcement to be both strong and fair in the execution of its mandate. We recognize that this requires us to have the right complement of tools that will ensure a properly tailored enforcement response that is firm, timely and proportionate to the circumstances. As part of our three-year Strategic Plan, we are considering alternative forms of disciplinary action that will provide greater variety and flexibility and result in a more responsive Enforcement department.

We completed a review of comparable programs adopted by both domestic and foreign securities and other regulators to help us in determining which type of programs are best suited for IIROC. Following this assessment, we have selected two proposals for further consideration and consultation:

1. A Minor Contravention Program ("MCP") where an Approved Person or Dealer Member would agree to a fixed sanction ($2,500 for individuals and $5,000 for firms) for minor rule contraventions. While the firm or individual would be required to admit a breach of IIROC rules, it would not form part of a formal disciplinary record and their names would not be published. This approach would avoid the time and expense of a full disciplinary hearing while ensuring that minor offenses are dealt with appropriately.

[3] Please note that the report is intended to enhance transparency relating to IIROC's collection rate for fines and other monetary sanctions and is not meant to be a list of individuals currently indebted to IIROC. Accordingly, the report may include the names of individuals who received a bankruptcy discharge subsequent to the order being made.

2. **Early Resolution Offers** would facilitate settlement of cases at an earlier point in the enforcement process once sufficient facts are known and certain conditions are present. This would increase the application and transparency of credit for cooperation given to those disciplined and encourage firms or individuals to take corrective action and address investor harm through compensation. An Early Resolution Offer will constitute Staff's best offer by giving substantial credit by reducing the fine and costs sought in exchange for entering into a settlement agreement quickly and with minimal negotiation.

It is important to us that we ensure stakeholder participation in this process so all issues and concerns have been properly considered before any decisions are made. Accordingly, in February 2018, IIROC published a Request for Comments that provides comprehensive details of these two proposed programs. We encourage IIROC stakeholders to review and comment on these two proposals. We are also consulting directly with approximately 1,000 Canadian investors through an online survey, which draws from a pool of 10,000 Canadian investors.

Following the close of the 90-day comment period, IIROC intends to draft a consolidated response to the written comments received and, where appropriate, revise the proposals to address the comments received. We also intend to publish the results of the investor survey together with responses we receive to our public request for comments. At the time of publication of this report, we were also considering inviting those who submit comments to a meeting with IIROC Staff to discuss issues related to the adoption and implementation of the proposals.

3. Compliance Referrals

IIROC's three compliance departments (Business Conduct Compliance, Financial & Operations Compliance, and Trading Conduct Compliance) are the source of some of our most significant prosecutions. These cases often deal with systemic firm issues and highlight IIROC's expectations of a strong and effective compliance structure. Given the potential severity of the issues, the timely identification, referral and investigation of such matters is of paramount importance. As a result, we are reviewing our compliance referral process. We commit to make any necessary improvements that will yield a more robust approach to promptly identify firm deficiencies warranting swift and appropriate Enforcement action. We completed our review in 2017 and are developing clear and effective guidelines and procedures to improve the quality and timeliness of our referrals. We anticipate implementing the new process in the Spring of 2018.

4. Statutory Immunity

IIROC is seeking statutory immunity for good faith performance of all of its regulatory functions, including action taken by Enforcement. While there are limited common law protections, statutory immunity would ensure that IIROC and its employees have the same protection provided to the provincial securities commissions and other regulatory bodies. We strongly believe that this immunity is necessary in order to allow us to take appropriate regulatory action in the public interest without fear of reprisal.

Enforcement Priorities

As with fine collection authority, Alberta once again was the leader as the first province to grant IIROC this protection. In June 2017, the provincial government unanimously passed legislation, which included statutory immunity for IIROC, protecting it from lawsuits when acting in good faith while carrying out its public interest mandate to protect investors.

In October 2017, Quebec introduced an extensive piece of legislation in Bill 141, reforming its financial sector, which includes granting IIROC statutory immunity. The legislation is currently going through parliamentary review. However, we do expect that once adopted, the legislation will benefit IIROC with full statutory immunity.

In March 2018, Manitoba also introduced legislation (Bill 23) to give IIROC protection from malicious lawsuits, as well as the ability to launch appeals to the Manitoba Securities Commission.

5. Powers to Strengthen Evidence Collection

To more effectively ensure compliance of IIROC rules and take the necessary Enforcement action, IIROC has taken steps to seek additional authority that would allow us to compel evidence in our disciplinary investigations and hearings. Under our current rules and jurisdiction, IIROC can compel its registrants and Dealer Members to cooperate with our investigations and prosecutions. With few exceptions, IIROC has no ability to obtain cooperation of individuals and entities that are not regulated by us, even where they may have relevant evidence. Not surprisingly, this imposes limitations on our ability to fully investigate certain cases and obtain the best evidence.

This past year, Alberta also gave IIROC the legal authority to compel individuals and evidence not under our jurisdiction at the investigative stage[4]. PEI granted IIROC similar authority to compel at the disciplinary hearing stage by way of the same authorization Order obtained in January 2017.

At the end of October 2017, shortly after tabling Bill 141, the Quebec government introduced a budget measure implementation act, Bill 150, which includes granting IIROC the authority to compel cooperation in both its investigations and hearings for those not under our jurisdiction.

As we gained much momentum this past year, we continue to reach out to all other CSA jurisdictions and their governments to obtain similar authority at both the investigation and hearing stages of the Enforcement disciplinary process. This will better arm us with the tools necessary for IIROC to provide a consistent level of investor protection from coast to coast.

[4] Prior to this, IIROC only had the authority in Alberta to compel evidence from those not under our jurisdiction at the disciplinary hearing stage.

INFORMATION SHARING AGREEMENTS

As a national public interest regulator, IIROC recognizes the importance of collaborating with the other regulators who oversee the financial services industry to strengthen investor protection and provide more-effective regulation. Over the years, IIROC has entered into various Memoranda of Understanding (MOUs) with a number of regulators in Canada and abroad. In 2017, IIROC added three more MOUs to our suite of agreements to close the gaps that exist when a registrant banned by one regulator attempts to work in another area of financial services.

IIROC and the **Alberta Insurance Council** (AIC) entered into a MOU, which took effect on February 1, 2017. The MOU allows both IIROC and the AIC to immediately inform each other when they refuse to register/license an individual or they have commenced an investigation against an individual who is also registered/licensed with them. This agreement also facilitates, where appropriate, joint investigations and the sharing of relevant records and documents when both regulators are investigating the same individuals.

In June 2017, IIROC entered into a similar MOU with the **Life Insurance Council of Saskatchewan** (LICS). Under the agreement, IIROC and LICS share information on investigations and discipline, including names of individuals refused registration/licensing, names of individuals under investigation and those who have had terms and conditions imposed on their registration/license. The agreement also allows for joint investigations where appropriate.

In September 2017, IIROC and the **Financial Consumer Agency of Canada** (FCAC) signed a MOU to assist each other and exchange relevant information. It facilitates compliance with and the enforcement of laws, rules or requirements of those regulated by these two organizations. This will ensure the effective regulation of those entities and individuals under both FCAC and IIROC jurisdictions.

These arrangements aim to prevent disciplined individuals from avoiding regulatory consequences by merely changing their registration to another organization, carrying on business with unsuspecting consumers and regulators under another designation or continuing to work in an unregistered capacity.

Enforcement Statistics

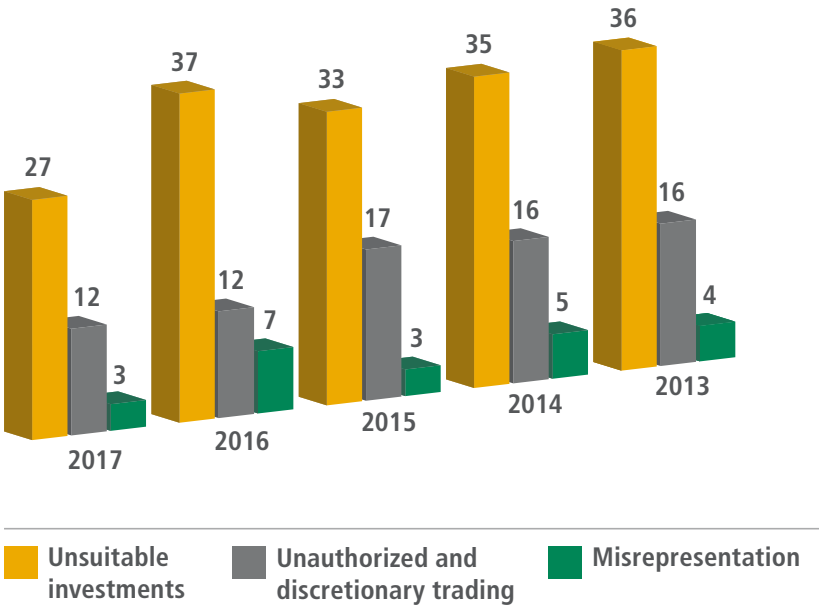
Complaints

Sources of Complaints Received by IIROC Enforcement

SOURCE	2017	2016	2015	2014	2013
Public	197	198	209	222	280
ComSet	903	1,207	1,076	1,058	1,307
Internal (from other IIROC departments)	41	32	43	53	78
Other SROs and Commissions	18	20	11	12	17
Other (media, Dealer Member firms and whistleblowers)	4	2	2	5	8
TOTAL	1,163	1,459	1,341	1,350	1,690

Most Common Complaints Received by IIROC and Opened by Case Assessment

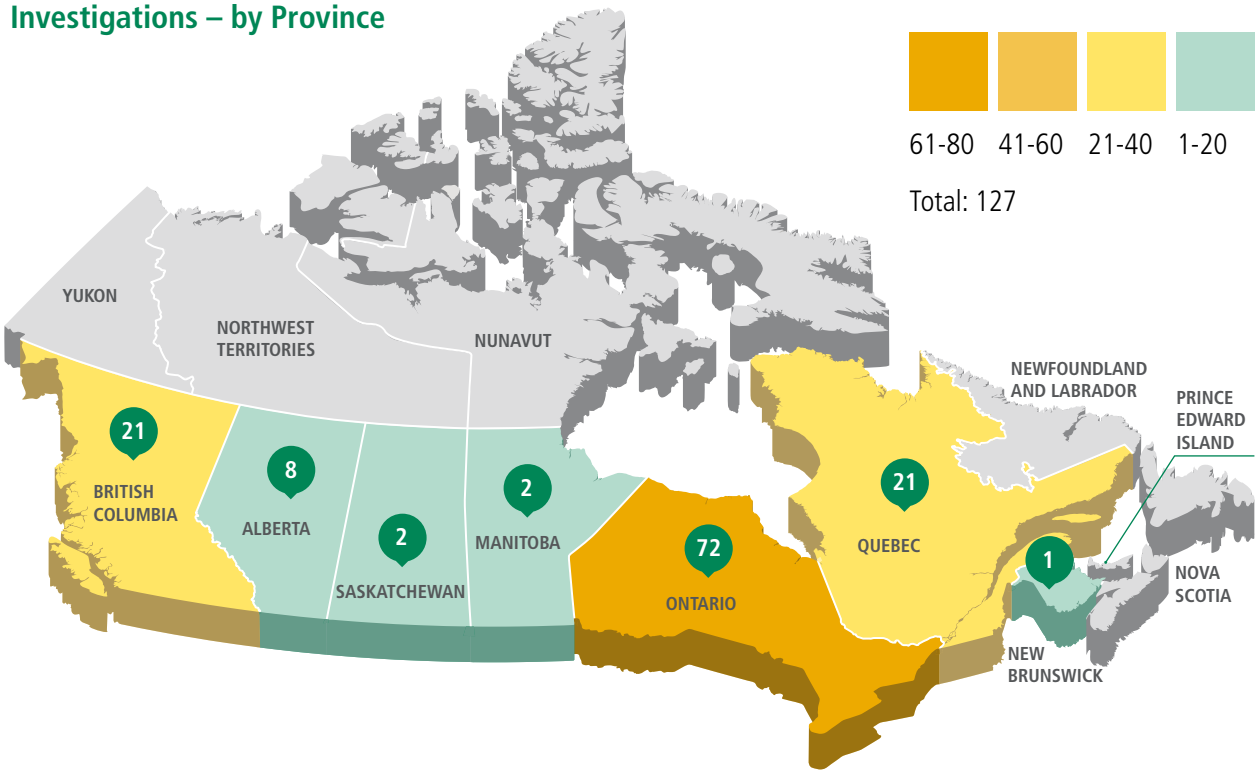
(Percent)



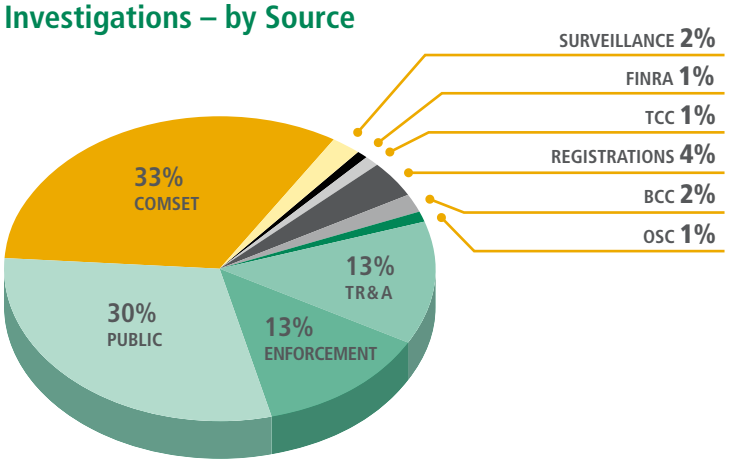
Investigations

	2017	2016	2015	2014	2013
Number of Investigations completed	127	138	124	174	200
Percentage of files referred to Prosecutions	46%	46%	57%	56%	30%

Investigations – by Province



Investigations – by Source



Enforcement Statistics

Prosecutions

Prosecutions – by Province

Prosecutions refer to completed prosecutions where an IIROC hearing panel, securities commission or court has made a final decision including any sanction ordered. Any decisions under appeal are not included.

Appeals

In general, either a disciplined individual or IIROC Staff can appeal IIROC disciplinary decisions to the relevant provincial/territorial securities commission or applicable reviewing body. An appeal will involve a review of the merits of the liability and/or penalty decision. Where an appeal is dismissed, this means that the original IIROC decision remains in effect including the penalties imposed. In 2017, appeals were launched, argued and/or concluded in a number of matters:

Robert Crandall (New Brunswick)
Appeal ongoing

Earl Marek (Ontario)
Appeal dismissed by OSC. Further appeal pending before Ontario Divisional Court

Krishna Sammy (Ontario)
Appeal dismissed

Ali Reza Sultani (Quebec)
Appeal pending

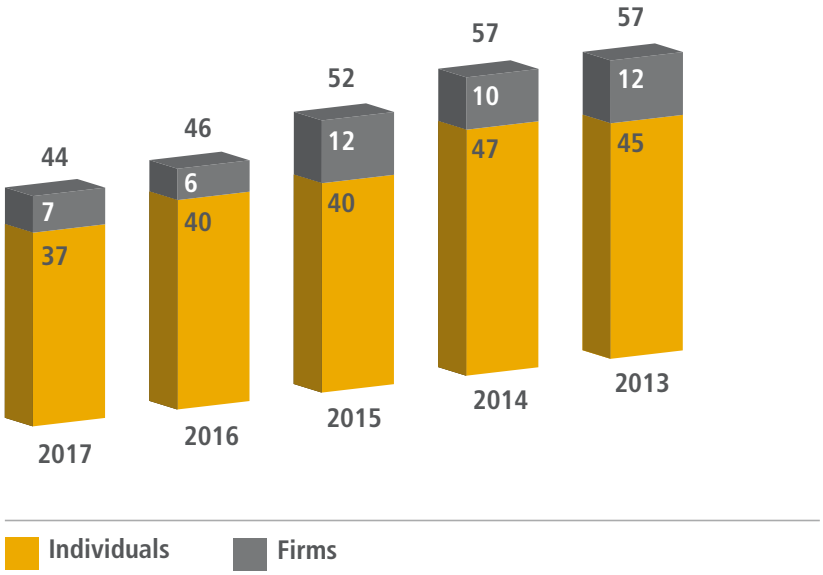
Ravindra Kumar Suppal
Appeal dismissed by Manitoba Securities Commission

Alberto Tassone (British Columbia)
Appeal pending

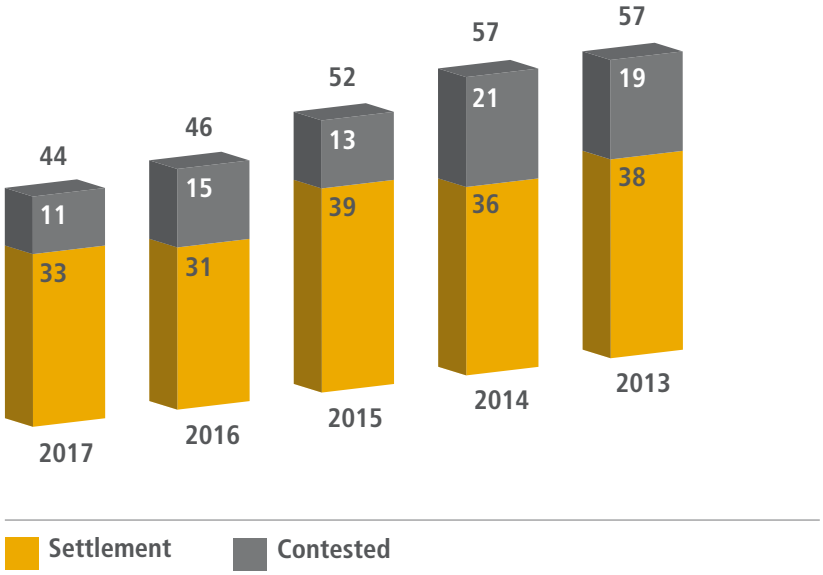
Enforcement Statistics

Prosecutions

Prosecutions – by Respondent Type



Prosecutions – by Hearing Type*



*see Appendix C for description of Hearing types

Prosecutions – by Regulatory Violation

INDIVIDUAL DISCIPLINED	2017	2016	2015	2014	2013
Suitability/Due Diligence/Handling of Client Accounts	20	19	19	18	19
Inappropriate personal financial dealings	7	7	6	5	7
Misappropriation	0	4	1	1	3
Misrepresentation	1	3	5	8	3
Discretionary trading	3	10	9	5	5
Forgery	3	0	5	4	3
Unauthorized trading	3	7	6	10	1
Manipulation and deceptive trading	1	3	1	1	3
Outside business activities	1	4	2	3	4
Supervision	4	7	5	6	4
Gatekeeper	0	0	4	2	2
Failure to cooperate	3	5	2	5	3
Trading conflict of interest	2	0	2	0	0
Off-book transactions	3	1	0	2	5
Trading without appropriate registration	0	0	0	0	1
Fraud	0	0	0	0	2
Undisclosed conflict of interest	1	1	1	0	0
Inadequate books and records	1	0	0	2	1

FIRMS DISCIPLINED	2017	2016	2015	2014	2013
Supervision	6	4	8	5	5
Expedited Hearing/Protective Order – Firm Winding Down	1	1	3	4	1
Failure to handle client accounts	0	1	0	0	0
Inadequate books and records	0	0	2	2	0
Internal controls	0	1	2	1	2
Capital deficiency	0	1	2	0	4

Enforcement Statistics

Prosecutions

Sanctions Imposed

FIRMS	2017	2016	2015	2014	2013
Decisions	7	6	12	10	12
Fines	$830,000	$360,000	$1,495,000	$224,000	$2,220,000
Costs	$78,500	$65,000	$97,500	$27,000	$100,000
Disgorgement	$100,000	$0	$0	$0	$310,000
Total	$1,008,500	$425,000	$1,592,500	$251,000	$2,630,000
Permanent suspension	1	0	3	2	3
Termination	0	2	0	2	2
INDIVIDUALS					
Decisions	37	40	40	47	45
Fines	$2,265,000	$2,684,000	$2,283,000	$3,035,500	$4,382,500
Costs	$366,129	$412,000	$337,500	$366,000	$655,454
Disgorgement	$778,962	$24,084	$331,569	$20,637	$220,117
Total	$3,410,091	$3,120,084	$2,952,069	$3,422,137	$5,258,071
Suspension	16	20	26	21	25
Permanent bar	5	6	5	8	8
Conditions	22	21	23	23	23

Fine Collection Rates

The chart below sets out the percentage collected to date of fines assessed in a given year. Assessed fines do not include fines imposed during the year for cases that have been appealed or are still within the time period to appeal.

While we typically collect 100 percent of fines from firms, there are circumstances where firms do not pay such as insolvency issues and/or where they are suspended by IIROC. Firms that do not pay fines are no longer IIROC members in good standing.

	2017	2016	2015	2014	2013
Individuals	16.2%	8.3%	15.8%	21.3%	16.3%
Firms	91.2%	100%	84%	100%	100%

Appendix A

IIROC Disciplinary Actions January 1 to December 31, 2017

INDIVIDUALS

Discretionary Trading
Jamie Peter Yaskiw
Richard Dykeman
Martin Proulx

Failure to Cooperate
Jeremy Nicholas Drew Austin
James MacArthur
Gennaro Scerbo

Forgery
Mohammad Movassaghi
Gennaro Scerbo
Nelson Turcotte

Inadequate Books and Records
James Alexander Moon

Inappropriate Personal Financial Dealings
Roland Papp
Brian McCullough
Richard Poirier
Carlo Michetti
Paul Sian
Garry Walter Bond
Melissa Prusky
Brenda Louise Asplund

Manipulation and Deceptive Trading
Russell Waddington

Misrepresentation
Roland Papp

Off-Book Transactions
Jayanth Noronha
Garry Walter Bond
Brenda Louise Asplund

Outside Business Activities
Jayanth Noronha

Suitability/Due Diligence/ Handling of Client Accounts
Kurt Andrew Haller
Jeremy Nicholas Drew Austin
Steven Dion
Blaine Albert Kunz
Jeffrey Walker
Daryl Rebeck
Jayanth Noronha
David Bugden
George Pedersson
James Wood
Jamie Peter Yaskiw
Paul Sian
Krishna Sammy
Ravindra Kumar Suppal
Mitchell Torch
Michael Edward Comeau
James Alexander Moon
Kevin Frederick Price
Anne Milne

Supervision
Sasha Jacob
Steve Buisson
James Alexander Moon
Christopher Rutledge

Trading Conflict of Interest
Jayanth Noronha
Krishna Sammy

Unauthorized Trading
Jeremy Nicholas Drew Austin
Ravindra Kumar Suppal
Yousef Hashmi

Undisclosed Conflict of Interest
Mohammad Movassaghi

FIRMS

Expedited Hearing/ Protective Order/Firm Winding Down
All Group Financial

Supervision
Scotia Capital Inc. (2)
Foster & Associates Financial Services Inc.
JitneyTrade Inc.
Hampton Securities Ltd.
Laurentian Bank Securities Inc.

Appendix B

Enforcement Information Sources

Enforcement cases are based on information drawn from a variety of internal and external sources.

INTERNAL SOURCES

Registration Department:
On occasion, the circumstances surrounding the termination of an individual registrant requires further investigation.

Compliance Departments (Business Conduct Compliance (BCC), Financial Operations Compliance (FinOps), and Trading Conduct and Compliance (TCC)):
Issues and deficiencies noted in compliance examination reports sometimes form the basis for some of Enforcement's most significant disciplinary cases.

Trading Review & Analysis (TR&A)/Market Surveillance:
The TR&A and Market Surveillance Departments oversee all equity and debt trading on Canadian marketplaces and serve as Enforcement's primary source of market-related information and enforcement referrals.

Complaints & Inquiries Team (C&I):
The C&I Team is the primary contact for direct investor inquiries and complaints. C&I refers the majority of the complaints it receives, involving alleged regulatory violations, to Enforcement for further assessment. C&I can be reached by phone (1-877-442-4322), email (InvestorInquiries@iiroc.ca) or by filing an online complaint form (www.iiroc.ca).

EXTERNAL SOURCES

ComSet Reports
IIROC rules require Dealer Members to inform IIROC, using IIROC's *Complaints and Settlement Reporting System (ComSet)*, when certain events occur, including when a Dealer Member receives a written client complaint, when criminal charges are laid against a Dealer Member or any of its individual registrants, or when a securities-related civil claim is brought by a client. These reportable events represent Enforcement's primary source of external enforcement-related information, and the most significant source of enforcement cases.

Outside Agencies
Enforcement receives referrals from Canadian provincial securities regulators, international securities regulatory bodies and other public agencies, including law enforcement officials.

IIROC's Whistleblower Service
IIROC operates a Whistleblower Service designed to receive, evaluate and take prompt and effective action on information based on first-hand knowledge or tangible evidence of potential systemic wrongdoing, securities fraud and/or unethical behaviour by IIROC-regulated individuals or firms. The Whistleblower Service can be reached by phone (1-866-211-9001) or email (whistleblower@iiroc.ca).

Appendix C

Types of Disciplinary Proceedings

Following the completion of an investigation, Enforcement staff will assess the evidence collected and decide whether to prosecute a Dealer Member or individual registrant for a breach of IIROC rules. When the decision is made to prosecute, formal disciplinary action will be initiated against the Dealer Member or individual registrant (both referred to as the Respondent in a disciplinary proceeding).

Formal disciplinary action will take the form of either a contested hearing or a settlement hearing.

CONTESTED HEARINGS

Where the Respondent does not admit the alleged violation of IIROC rules, a contested hearing will be held. In that case, staff must prove the allegations set out in the Notice of Hearing – the formal document that initiates disciplinary action. Similar to traditional court proceedings, an IIROC hearing involves staff presenting documentary evidence and oral evidence, through witnesses, in making its case. The Respondent has the right to challenge IIROC's case by cross-examining witnesses and presenting their own evidence.

The hearing panel, which is normally comprised of one former judge and two active or retired industry members, decides whether IIROC has proven its case against the Respondent and if so, determines the appropriate penalty.

While IIROC generally does not have the legal authority to compel witnesses or Respondents to attend disciplinary hearings, a Respondent's failure to attend a hearing does not affect Enforcement's ability to proceed with the hearing. In these cases, the hearing will proceed in the Respondent's absence and the hearing panel may accept the allegations as proven without any formal evidence being called.

SETTLEMENT HEARINGS

Settlement hearings are held when staff and the Respondent agree, in writing, on the rule(s) violated by the Respondent, the underlying facts and the penalties to be imposed on the Respondent for the agreed violations. The parties must present the agreement to the hearing panel and explain why the panel should accept it. The panel may accept or reject the settlement agreement.

Like many other professional regulatory bodies, the majority of IIROC's disciplinary matters are resolved by way of settlements.

Appendix C

Types of Disciplinary Proceedings

Enforcement also has the ability to initiate two other types of proceedings: (1) Protective Order Applications and (2) Temporary Order Applications.

PROTECTIVE ORDER APPLICATIONS

Generally speaking, a protective order application is an emergency proceeding that permits Enforcement staff to quickly initiate a proceeding against a Respondent. The purpose of the proceeding is to protect investors in circumstances where the Respondent is not able to continue in business without contravening IIROC's rules. Typically, such circumstances include:

- Bankruptcy;
- Financial or operating difficulty of a Dealer Member; and
- Criminal charges laid against the Dealer Member or individual registrant.

At the conclusion of a protective order proceeding, the hearing panel has the authority to impose a variety of sanctions on the Respondent, similar to those available in the regular disciplinary process. Examples of potential sanctions include:

- The suspension of IIROC membership;
- A requirement to immediately cease dealing with the public; and
- A requirement to preserve books and records for a specified period of time.

TEMPORARY ORDER APPLICATIONS

Temporary order applications are another form of emergency proceeding, and are made when Enforcement staff believe that the length of time required to convene a disciplinary hearing could be contrary to the public interest. A temporary order proceeding can be brought without prior notice to the Respondent. The order can either suspend the Respondent's registration with IIROC or impose terms and conditions on that registration. Temporary orders last for 15 days, after which time they can be further extended by a hearing panel or by a securities commission.

Glossary of Terms

COMSET (COMPLAINTS AND SETTLEMENT REPORTING SYSTEM)
IIROC requires registered firms to report client complaints and disciplinary actions including internal investigations, denial of registration and settlements; and civil, criminal or regulatory action against the firm or its registered employees. This information is reported through IIROC's computerized Complaints and Settlement Reporting System.

CPH (THE CONDUCT AND PRACTICES HANDBOOK COURSE)
This is a course offered by the Canadian Securities Institute. Individuals seeking to become an investment advisor or investment representative with IIROC must pass this course in order to meet IIROC's proficiency requirements. The course covers the rules, policies and by-laws of the securities commissions and SROs, in addition to the standards of conduct and practices when dealing with client accounts, special transactions and products.

CSA (CANADIAN SECURITIES ADMINISTRATORS)
The CSA is the council of 10 provincial and three territorial securities regulators in Canada. The mission of the CSA is to facilitate Canada's securities regulatory system by protecting investors from unfair fraudulent practices and by promoting fair, efficient and transparent markets through the development of harmonized securities regulations, policies and practices.

DEA CLIENT (DIRECT ELECTRONIC ACCESS CLIENT)
A client that is permitted, by virtue of an arrangement with a Dealer Member, to electronically transmit orders to a marketplace using the firm's marketplace identifier.

MFDA (MUTUAL FUND DEALERS ASSOCIATION)
The MFDA regulates the operations, standards of practice and business conduct of its members and their representatives. Its mandate is to enhance investor protection and strengthen public confidence in the Canadian mutual fund industry.

NCAF (NEW CLIENT ACCOUNT FORM)
Securities firms and registered representatives are required to have new clients complete this form to ensure the firm and the representatives are aware of the client's financial position and investment objectives so that the firm and the representative can assess the suitability of their advice.

Glossary of Terms

SPOOFING/LAYERING

Both are trading strategies that are considered manipulative and deceptive. Spoofing is a practice using limit orders that are not intended to be executed to manipulate prices. Some spoofing strategies are related to the open or close of regular market hours that involve distorting prices through the entry of non-*bona fide* orders, checking for the presence of an "iceberg" order, affecting a calculated opening price and/or aggressive trading activity near the open or close for an improper purpose. Layering is a strategy which initiates a series of orders and trades in an attempt to ignite a rapid price movement either up or down and induce others to trade at artificially high or low prices. An example is a "layering" strategy whereby a market participant places a *bona fide* order on one side of the market and simultaneously "layers" the book with non-*bona fide* orders on the other side of the market to bait other market participants to react to the non-*bona fide* orders and trade with the *bona fide* order.

SRO (SELF-REGULATORY ORGANIZATION)

SRO refers to an organization that sets standards, monitors members for compliance with those standards and takes appropriate action when those standards are not met.

UDP (ULTIMATE DESIGNATED PERSON)

The most senior officer of a Dealer Member who is responsible for promoting a culture of compliance and overseeing the effectiveness of the firm's compliance system. Generally, the chief executive officer of the firm must be designated as the UDP. This position is a registration category that requires IIROC approval.

UMIR (UNIVERSAL MARKET INTEGRITY RULES)

Market Regulation Services introduced the Universal Market Integrity Rules as a common set of equity trading rules designed to ensure fairness and maintain investor confidence. The UMIR continues to be IIROC's market integrity rules.

Questions?

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OCRCVM
Organisme canadien de réglementation du commerce des valeurs mobilières